

Our Ref: 51741
Contact Officer: Sara Stark
Contact Phone: 03 9290 1881

16 January 2014

Mr Shaun Reardon
Executive General Manager Strategy,
Regulation and Projects
PO Box 1220
NORTH SYDNEY NSW 2059

Dear Mr Reardon

JGN Access Arrangement – cross period pass through

I write in response to your letter of 2 December 2013 to Andrew Reeves, Chairman, Australian Energy Regulator (AER) regarding cost pass through events where associated cost impacts are experienced by Jemena Gas Networks (JGN) over two consecutive access arrangement (AA) periods, also described as a cross period pass through.

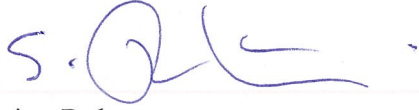
I understand the anomaly you raise in relation to cross period pass through events. The AER Board cannot make a binding decision on a matter such as this outside of the formal review process.

I note that the implications of the absence of a mechanism to address cross period pass throughs are not insignificant. The insertion of a fixed principle into JGN's access arrangement to allow for cross period pass throughs would be consistent with the treatment of these events under the amendments made to the National Electricity Rules in August 2012 and APA GasNet's access arrangement.

JGN should include the proposed provision in its revised access arrangement fixed principles for the AER's consideration as part of the review. Once the review has commenced staff will engage with the AER Board specifically on this matter and seek its direction.

I look forward to engaging with you further on this matter and on the access arrangement review more broadly. Please contact me on 03 9290 1895 or Sara Stark 03 9290 1881 if you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S. Roberts', with a stylized flourish at the end.

Sebastian Roberts

General Manager – 2014 NSW gas access arrangement review